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Red Lion Hotels Franchising, Inc.

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF WASHINGTON
AT SPOKANE**

RED LION HOTELS FRANCHISING, INC., a Washington Corporation, Plaintiff, vs. GHAZANFAR KHAN, an individual; ZULFIQAR KHAN, an individual; MOHAMMAD TAFAIL KHAN, an individual; KHAN/SLEEP, LLC, a Colorado Limited Liability Company; and TOWER HOSPITALITY, LLC, a Colorado Limited Liability Company, Defendants.	CASE NO. CaseNumber **COMPLAINT FOR WILLFUL TRADEMARK INFRINGEMENT, FALSE DESIGNATION OF ORIGIN, AND BREACH OF CONTRACT** **JURY TRIAL DEMANDED**

Plaintiff RED LION HOTELS FRANCHISING, INC. ("Red Lion" or "Plaintiff"), hereby alleges the following Complaint against GHAZANFAR KHAN, an individual; ZULFIQAR KHAN, an individual; MOHAMMAD TAFAIL KHAN, an individual; KHAN/SLEEP, LLC, a Colorado Limited Liability Company; and TOWER HOSPITALITY, LLC, a Colorado Limited Liability Company (collectively, "Defendants").

I. INTRODUCTION

1.1 Red Lion brings this action against Defendants for their knowing, willful, and intentional violations of Red Lion's intellectual property and for failing to perform contractual obligations with respect to that intellectual property. As further detailed below, Defendants have improperly used and continue to use in commerce various federally registered trademarks owned by Red Lion. Defendants' commercial uses are without authorization, license or permission, and are in direct contravention of written agreements between the parties. Defendants' commercial uses of Red Lion's registered marks are also blatant violations of Sections 32 and 43(a) of the Lanham Act. As a result, Red Lion seeks injunctive and monetary relief against Defendants for their deliberate infringement of Red Lion's intellectual property.

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II. PARTIES

2.1 Plaintiff Red Lion Hotels Franchising, Inc. is a corporation in good standing organized under the laws of the State of Washington. Red Lion's principal place of business is at 201 West North River Drive, Spokane, Washington 99201. Red Lion is a recognized name in the hospitality industry with numerous hotel properties across the nation bearing its name. Red Lion is the registered owner of U.S. Trademark Registrations protecting its brand and other source-identifying information.

2.2 Defendant Khan/Sleep, LLC ("Khan/Sleep") is a Colorado limited liability company. Upon information and belief, the sole three members of Khan/Sleep are Defendant Ghazanfar Khan, Defendant Zulfiqar Khan, and Defendant Mohammad Tafail Khan, none being domiciled in the State of Washington.

2.3 Defendant Tower Hospitality, LLC ("Tower Hospitality") is a Colorado limited liability company. Upon information and belief, the sole three members of Tower Hospitality are Defendant Ghazanfar Khan, Defendant Zulfiqar Khan, and Defendant Mohammad Tafail Khan, none being domiciled in the State of Washington.

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2.4 Defendant Ghazanfar Khan is an individual. Upon information and belief, he is a citizen of the State of South Dakota.

2.5 Defendant Zulfiqar Khan is an individual. Upon information and belief, he is a citizen of the State of Wyoming. Upon information and belief, Zulfiqar Khan also uses the name Zhlfiqar Khan.

2.6 Defendant Mohammad Tafail Khan is an individual. Upon information and belief, he is a citizen of the State of Wyoming.

III. JURISDICTION AND VENUE

3.1 This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1338(a) because the claims alleged herein arise out of the Lanham Act. This Court also has subject matter jurisdiction pursuant to 28 U.S.C. § 1332 because there is complete diversity of citizenship between the parties and the amount in controversy exceeds $75,000, exclusive of interest and costs.

3.2 This Court has jurisdiction over the state law claims pursuant to 28 U.S.C. § 1367 because those claims arise out of the same set of facts and circumstances as the Lanham Act claims.

3.3 This Court has personal jurisdiction over Defendants because they purposefully and intentionally directed communications and other conduct toward Red Lion's corporate headquarters in Spokane, and because their collective and

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individual actions and omissions in the State of Washington gave rise to this suit. Defendants also consented by written agreement to the exclusive jurisdiction of this Court.

3.4 Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b).

IV. FACTS DEMONSTRATING DEFENDANTS' WILLFUL AND INTENTIONAL CONDUCT

A. Red Lion Hotels and Trademarks

4.1 Red Lion's history can be traced back to 1937, when Red Lion Hotels Inc. was founded. Since then, and through significant time, effort, and expense, consumers have come to recognize the Red Lion brand as an indicator of quality hospitality services. This brand is currently associated with hotels throughout the United States and across the world.

4.2 Today, Red Lion continues to serve its guests and patrons by providing hospitality services including such things as accommodations, restaurant and bar entertainment venues, meeting spaces, conferencing facilities and related services.

4.3 Red Lion's services and facilities are offered under recognizable brands, such as "Red Lion Hotel" and "Red Lion Inn & Suites."

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4.4 To protect the goodwill it has fostered over several decades, Red Lion has registered numerous marks relating to its hospitality services (collectively, the "Red Lion Marks").

4.5 Red Lion owns several valid and enforceable federal trademark registrations for the Red Lion Marks, including U.S. Trademark Registration Nos. 4,595,255, 4,933,184, 4,933,183, 3,583,032, 3,583,031, 1,095,529, 1,915,645 and 1,485,662 (hereinafter the "Red Lion Registrations"). True and correct copies of the Red Lion Registrations are attached hereto as **Exhibit A**. The Red Lion Registrations are as follows:

Red Lion Mark	Red Lion Registration No.	Description of Goods and Services
RED LION INN & SUITES	4,595,255	Bar services; Hotel services; Providing conference rooms; Providing facilities for exhibitions; Providing information and advice on hotels and restaurants to tourists and business travelers; Providing of food and drink; Providing temporary housing accommodations; Restaurant and hotel services; Restaurant reservation services; Restaurant services.

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RED LION INN & SUITES EST 1959	4,933,184	Bar and restaurant services; hotel and restaurant services; hotels; providing conference rooms; providing facilities for exhibitions; providing of food and drink; providing temporary accommodation; reservation of temporary accommodation; restaurant reservation services.
RED LION HOTELS EST 1959	4,933,183	Bar and restaurant services; hotel and restaurant services; hotels; providing conference rooms; providing facilities for exhibitions; providing of food and drink; providing temporary accommodation; reservation of temporary accommodation; restaurant reservation services.
RED LION	3,583,032	Coordinating travel arrangements for individuals and for groups; Providing an interactive computer database in the field of tourism via a global computer network; Providing links to web sites of others featuring travel.
RED LION	3,583,031	Bar and restaurant services; Hotel and restaurant reservation services; Hotels; Providing conference rooms; Providing facilities for exhibitions; Providing of food and drink; Providing temporary accommodation.

RED LION	1,095,529	Motel, hotel and restaurant services.
RED LION HOTEL	1,915,645	Motel, hotel and restaurant services.
RED LION INN	1,485,662	Motel, hotel and restaurant services.

B. Licensing Agreements with Defendants

Denver Franchise License Agreement with Tower Hospitality

4.6 In 2012, Defendant Tower Hospitality (whose sole members are Defendants Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan) expressed to Red Lion an interest in operating a property at 7010 Tower Road, Denver, Colorado 80249 (the "Denver Property") as a Red Lion franchisee.

4.7 Red Lion and Tower Hospitality executed a Franchise License Agreement (the "Denver Agreement") in September 2012 granting Tower Hospitality a non-exclusive license to use the Red Lion Marks. A true and correct copy of the Denver Agreement is attached hereto as **Exhibit B**.[1]

[1] Certain confidential and proprietary information has been redacted from the Denver Agreement.

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4.8 Tower Hospitality's licensed use of the Red Lion Marks was dictated by the terms and conditions of the Denver Agreement.

4.9 The Denver Agreement explicitly conditioned Tower Hospitality's use of the Red Lion Marks upon Tower Hospitality's complete and timely payment of all dues and fees to Red Lion.

4.10 If dues and fees were not paid according to the terms of the Denver Agreement, Tower Hospitality would be in default, and Red Lion had the contractual right to terminate the Denver Agreement and withdraw Tower Hospitality's licenses to use the Red Lion Marks.

4.11 In the event of termination, Tower Hospitality would be required to cease holding itself out to the public as a Red Lion hotel, and would be required to immediately cease any and all commercial use of the Red Lion Marks.

4.12 A true and correct copy of the Denver Agreement's provision requiring the immediate cessation of commercial use of the Red Lion Marks is set forth below:

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> d. De-identification of Hotel Upon Termination. Upon expiration or termination of this Agreement for any reason, you will immediately stop holding yourself out to the public as a System hotel, and will take whatever action is necessary to assure that no use is made of any part of the System (including the Marks or any individual feature of any of the Marks) all forms of advertising and other indicia of operation as a System hotel), and discontinue use of all distinguishing indicia of System hotels, including such indicia on exterior and interior signs, stationery, operating equipment and supplies, Internet sites, brochures and other promotional material at or in connection with the Hotel or otherwise. You will return to us the Manual and all other proprietary materials, remove all distinctive System features of the Hotel, including the primary freestanding sign down to the structural steel, and take all other actions ("De-identification Actions") required to preclude any possibility of confusion on the part of the public that the Hotel is still using all or any part of the System or is otherwise holding itself out to the public as a System hotel, including ceasing participation in any System programs and payment of any amounts owing in connection with participation in such System programs as required under the then existing rules of any such System program. If within thirty (30) days after the termination or expiration of this Agreement, you fail to comply with this section, we and our agents, at your expense, may enter the premises of the Hotel to perform the De-identification Actions without being deemed guilty of or liable for trespass or any other tort, and make or cause to be made such changes at your expense. You will pay all such expenses that we incur upon demand. If you fail to take all De-identification Actions, we and or the Entities will be entitled to recover all losses, costs, expenses and damages caused by that failure. We and/or the Entities will also be entitled to relief by injunction, and any other right or remedy at law or in equity to enforce our rights under this Agreement.

4.13 Defendants Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan (collectively, the "Khans") each personally guaranteed Tower Hospitality's payment of fees and dues as well as its performance of all other contractual obligations under the Denver Agreement. A true and correct copy of the Khans' personal guarantee is attached hereto as **Exhibit C**.

Ft. Collins Franchise License Agreement with Khan/Sleep

4.14 In 2014, Defendant Khan/Sleep (whose sole members are also Defendants Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan) expressed to Red Lion an interest in operating a property at 3808 East Mulberry

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Street, Fort Collins, Colorado 80524 (the "Ft. Collins Property") as a Red Lion franchisee.

4.15 Red Lion and Khan/Sleep executed a Franchise License Agreement (the "Ft. Collins Agreement") in December 2014 granting Khan/Sleep a non-exclusive license to use the Red Lion Marks according to the terms and conditions of the Ft. Collins Agreement. A true and correct copy of the Ft. Collins Agreement is attached hereto as **Exhibit D**.[2]

4.16 The Denver Agreement and Ft. Collins Agreement both contained substantially similar terms, and Khan/Sleep's use of the Red Lion Marks under the Ft. Collins Agreement was explicitly contingent upon its payment of dues and fees to Red Lion.

4.17 If Khan/Sleep failed to pay its dues and fees according to the Ft. Collins Agreement, it would be in default, whereby Red Lion had a right to terminate the agreement and withdraw Khan/Sleep's license to use the Red Lion Marks.

4.18 Once again, termination would require Khan/Sleep to cease holding itself out to the public as a Red Lion hotel, and Khan/Sleep would be required to immediately stop any and all commercial use of the Red Lion Marks.

[2] Certain confidential and proprietary information has been redacted from the Ft. Collins Agreement.

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4.19 A true and correct copy of the Ft. Collins Agreement provision requiring the immediate cessation of commercial use of the Red Lion Marks is below:

> d. **De-identification of Hotel Upon Termination.** Upon expiration or termination of this Agreement for any reason, you will immediately stop holding yourself out to the public as a Licensed Brand hotel, and will take whatever action is necessary to assure that no use is made of any part of the System (including the Licensed Brand or any individual feature of any of the System or Network) all forms of advertising and other indicia of operation as a Licensed Brand hotel), and discontinue use of all distinguishing indicia of Licensed Brand hotels, including such indicia on exterior and interior signs, stationery, operating equipment and supplies, Internet sites, brochures and other promotional material at or in connection with the Hotel, System, Network or otherwise. You will return to us the Manual and all other proprietary materials, remove all distinctive System and Network features of the Hotel, including the primary freestanding sign (if applicable) down to the structural steel, and take all other actions ("De-identification Actions") required to preclude any possibility of confusion on the part of the public that the Hotel is still using all or any part of the System or is otherwise holding itself out to the public as a Licensed Brand hotel, including ceasing participation in any System programs and payment of any amounts owing in connection with participation in such System programs as required under the then existing rules of any such System program. If within thirty (30) days after the termination or expiration of this Agreement, you fail to comply with this section, we and our agents, at your expense, may enter the premises of the Hotel to perform the De-identification Actions without being deemed guilty of or liable for trespass or any other tort, and make or cause to be made such changes at your expense. You will pay all such expenses that we incur upon demand. If you fail to take all De-identification Actions, we and or the Entities will be entitled to recover all losses, costs, expenses and damages caused by that failure. We and/or the Entities will also be entitled to relief by injunction, and any other right or remedy at law or in equity to enforce our rights under this Agreement.

4.20 Defendants Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan each personally guaranteed Khan/Sleep's payment of fees and dues as well as its performance of all other contractual obligations under the Ft. Collins Agreement. A true and correct copy of the Khans' personal guarantee is attached hereto as **Exhibit E**.

C. **Breach and Termination of the Denver and Ft. Collins Agreements**

4.21 Defendants operated the Denver Property and the Ft. Collins Property

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as franchisees, and directed payments of fees and dues to Red Lion for a time.

4.22 In 2015, Defendants began to miss payments of fees and dues owed to Red Lion.

4.23 By 2017, Tower Hospitality had accrued an outstanding balance of over $150,000 in unpaid dues and fees under the Denver Agreement.

4.24 By 2017, Khan/Sleep had accrued an outstanding balance of over $100,000 in unpaid dues and fees under the Ft. Collins Agreement.

4.25 As a result of Tower Hospitality's and Khan/Sleep's failures to pay dues and their inabilities to meet their financial obligations under their respective agreements, Red Lion terminated both the Denver Agreement and the Ft. Collins Agreement on January 5, 2017. A true and correct copy of the Denver Agreement termination letter is attached hereto as **Exhibit F** and a true and correct copy of the Ft. Collins Agreement termination letter is attached hereto as **Exhibit G**.[3]

4.26 The Denver Agreement and the Ft. Collins Agreement required Tower Hospitality and Khan/Sleep, respectively, to cease all commercial use of the Red Lion Marks as described above.

4.27 After the termination of the Denver Agreement and the Ft. Collins Agreement on January 5, 2017, Defendants knew that they no longer had

[3] Certain confidential and proprietary information has been redacted from the termination letters.

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authorization, license, or permission to use the Red Lion Marks.

4.28 In addition to the contractual "de-identification" provisions describing the measures Defendants must take to remove Red Lion indicia, Red Lion's termination letters set forth a specific "Checklist" of items that Defendants were required to immediately stop using.

D. Willful and Intentional Infringement of Red Lion Marks at the Denver Property

4.29 Defendants continued to operate commercial hotels open to the public at the Denver Property and the Ft. Collins Property.

4.30 Despite Defendants' breach of the Denver Agreement and the Ft. Collins Agreement and the subsequent terminations of those agreements, Defendants have continued to use the Red Lion Marks at both the Denver Property and the Ft. Collins Property.

4.31 Tower Hospitality continues to operate the Denver Property as if it is a Red Lion licensed hotel.

4.32 Neither Tower Hospitality nor the Khans have removed the large and illuminated exterior signs on the Denver Property's facade that bear a reproduction of the RED LION INN & SUITES mark, Registration No. 4,595,255.

4.33 Below are true and correct copies of photographs of the exterior

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signage on the Denver Property taken on February 28, 2017:

RED LION
INN & SUITES
7010 TOWER RD

RED LION
INN & SUITES

4.34 These exterior signs are readily visible to guests of the Denver Property, guests of neighboring hotels, and the public who can see the signs from the nearby gas station, highway, and interstate leading to Denver International Airport.

4.35 Tower Hospitality and the Khans have also failed to remove interior signs, stationary, printed material, supplies, brochures, and operating equipment bearing the Red Lion Marks.

4.36 Additionally, Tower Hospitality and the Khans utilize a shuttle-bus with prominent displays of the Red Lion Marks. A true and correct photograph taken on February 28, 2017 and depicting the shuttle bus is below:

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7010 TOWER RD
redlion.com • Boo-Red Lion • 5 Minutes from DIA

4.37 To a customer or member of the public, the Denver Property appears to be a Red Lion property, or at least that of a selected licensee, but in reality the Denver Property is a rogue franchisee, holding itself out as a Red Lion property when, in fact, it is not.

E. Willful and Intentional Infringement of Red Lion Marks at the Ft. Collins Property

4.38 Khan/Sleep has also failed to remove exterior signs on the Ft. Collins Property which contain reproductions of Registered Mark No. 4,933,184.

4.39 Below is a true and correct copy of a photograph taken of the exterior

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of the Ft. Collins Property on March 3, 2017:

RED
LION
Weekly rates
staring at $235.00

4.40 The Red Lion mark on the Ft. Collins property is also readily visible to guests and members of the public who can see the sign from the nearby state highway.

4.41 Khan/Sleep has also failed to remove indicia bearing the Red Lion Marks from the interior of the Ft. Collins Property, including signs, stationary, printed material, supplies, brochures, and operating equipment.

4.42 Below are true and correct copies of photographs taken on March 3, 2017 from inside the Ft. Collins Property showing willful and intentional use of the Red Lion Marks:

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RED LION
HOTELS

THIS HOTEL IS
INDEPENDENTLY
OWNED AND OPERATED
UNDER A LICENSE FROM
RED LION HOTEL
FRANCHISING, INC.

RED
LION
RED
LION

4.43 As depicted above, the Ft. Collins Property even has a placard in the lobby falsely proclaiming that "This Hotel is Independently Owned and Operated under a License from Red Lion Hotels Franchise, Inc."

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4.44 True and correct copies of additional photographs of the Red Lion Marks being commercially used at the Ft. Collins Property are attached hereto as **Exhibit H**.

F. Defendants' Willful and Intentional Infringement of the Red Lion Marks in Commerce Is Likely to Confuse and Deceive Consumers

4.45 The allegations and photographs herein show that Defendants' properties are visually indistinguishable from an authorized and licensed Red Lion hotel, but additional factors also increase the level of confusion and deception among consumers.

4.46 For example, Denver International Airport is the 15th busiest airport in the world with more than 53 million passengers traveling through the airport each year. The Denver Property's close proximity to the airport means that massive amounts of consumers will be deceived into thinking the Denver Property is an authorized Red Lion hotel when, in fact, it is not.

4.47 The Ft. Collins Property is similarly situated near a transit route for millions of consumers. It sits at a major interchange between Interstate 25 and Colorado State Highway 14.

4.48 Interstate 25 is the only north-south interstate in the State of Colorado and it is the main thoroughfare for Colorado's Front Range Urban Corridor which

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is home to nearly 5 million people. In addition to drivers on Interstate 25, any of Ft. Collins' 150,000 citizens can drive past the Ft. Collins Property and see the large Red Lion signage.

4.49 Consumers passing by the Ft. Collins Property or staying at nearby hotels would be deceived into believing it is an authorized Red Lion hotel when it is not.

4.50 Additionally, both the Denver Property and the Ft. Collins Property are holding themselves out to the public as "Red Lion" hotels.

4.51 When the Denver Property was reached by telephone on March 8, 2017, the call was answered "Red Lion Inn and Suites DIA."[4]

4.52 When the Ft. Collins Property was reached by telephone on March 8, 2017, the call was answered "Red Lion Inn."

4.53 Any consumers who reach these properties by phone would once again be deceived into believing the properties are authorized Red Lion hotels, which they are not.

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[4] DIA is a common acronym for Denver International Airport.

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V. CAUSE OF ACTION

First Cause of Action
Federal Trademark Infringement
(Lanham Act § 32, 15 U.S.C. § 1114)
Against All Defendants

5.1 Red Lion re-alleges and incorporates the allegations set forth in paragraphs 1.1 to 4.53 as though set forth herein.

5.2 Red Lion owns valid trademark rights in the Red Lion Marks, as registered with the USPTO under the Red Lion Registrations.

5.3 Defendants have used the Red Lion Marks in commerce in connection with their hospitality services after January 5, 2017.

5.4 Defendants did not have authorization, license, or permission to use the Red Lion Marks after January 5, 2017.

5.5 Defendants were notified of their terminated license, but nevertheless willfully and intentionally used and continue to use the Red Lion Marks in commerce.

5.6 Defendants' commercial uses of the Red Lion Marks are likely to cause confusion, or to cause mistake, or to deceive consumers, in violation of the Lanham Act, 15 U.S.C. § 1114.

5.7 The intentional nature of Defendants' acts complained of herein

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makes this an exceptional case under § 35(a) of the Lanham Act, 15 U.S.C. §1117(a).

5.8 By reason of the foregoing, Plaintiff Red Lion has been and will continue to be irreparably harmed and damaged. Red Lion's remedies at law are inadequate to compensate for this harm.

Second Cause of Action

False Designation of Origin
(Lanham Act § 43, 15 U.S.C. § 1125(a))
All Defendants

5.9 Red Lion re-alleges and incorporates the allegations set forth in paragraphs 1.1 to 5.8 as though set forth herein.

5.10 Defendants' unauthorized uses of the Red Lion Marks at the Denver Property and the Ft. Collins Property falsely indicate that Red Lion or its agents are connected with, sponsored, endorsed, authorized, or approved by, or affiliated with Defendants, or that Defendants are connected with, sponsored, endorsed, authorized, or approved by, or affiliated with Red Lion.

5.11 Defendants' unauthorized use of the Red Lion Marks in connection with Defendants' hotels is likely to cause, and/or has caused confusion, mistake or deception as to the source or affiliation of Defendants' goods or services.

5.12 Defendants' unauthorized use of the Red Lion Marks in connection with its goods and services permits Defendants to receive the benefit of Red Lion's

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goodwill, which Red Lion has established at great labor and expense, and further allows Defendants to gain acceptance of its goods and services, based not on its own qualities but on the reputation, investment, hard work and goodwill of Red Lion.

5.13 Defendants have not been granted authorization, license, or permission to use the Red Lion Marks after January 5, 2017, and Defendants were contractually prohibited from doing so.

5.14 The intentional nature of Defendants' acts complained of herein makes this an exceptional case under § 35(a) of the Lanham Act, 15 U.S.C. §1117(a).

5.15 By reason of the foregoing, Plaintiff Red Lion has been and will continue to be irreparably harmed and damaged. Red Lion's remedies at law are inadequate to compensate for this harm and damage.

Third Cause of Action

Breach of Contract
(Washington State Law)
Against Tower Hospitality, Ghazanfar Khan, Zulfiqar Khan,
and Mohammad Tafail Khan

5.16 Red Lion re-alleges and incorporates the allegations set forth in paragraphs 1.1 to 5.15 as though set forth herein.

5.17 Red Lion and Tower Hospitality entered into a valid and enforceable

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Franchise License Agreement in September 2012 regarding operation of the Denver Property under the Red Lion brand.

5.18 Defendants Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan each personally guaranteed the performance of Tower Hospitality's obligations under the Denver Agreement.

5.19 The Denver Agreement explicitly required that the Red Lion Marks not be used in commerce if that agreement was terminated.

5.20 Red Lion terminated the Denver Agreement on January 5, 2017, after Tower Hospitality, Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan breached the agreement by failing to pay fees and dues owed to Red Lion.

5.21 Tower Hospitality, Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan continued to use the Red Lion Marks in commerce after the Denver Agreement was terminated.

5.22 Tower Hospitality, Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan agreed that unauthorized use of the Red Lion Marks after the period of the Denver Agreement ended would irreparably harm Red Lion and they further agreed to consent to the entry of a permanent injunction to protect the Red Lion Marks.

5.23 Tower Hospitality, Ghazanfar Khan, Zulfiqar Khan, and Mohammad

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Tafail Khan agreed that they would be responsible for any costs and expenses, including attorneys' fees incurred by Red Lion in connection with their unauthorized use of the Red Lion Marks.

5.24 Red Lion has suffered damages and irreparable harm from Tower Hospitality, Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan's breach of their covenant described herein.

5.25 The Denver Agreement requires that all disputes under it, except claims by Red Lion relating to the preservation or protection of its proprietary right or for extraordinary relief such as injunctions or eviction, be mediated before going to binding arbitration.

Fourth Cause of Action

Breach of Contract
(Washington State Law)
Against Khan/Sleep, Ghazanfar Khan, Zulfiqar Khan,
and Mohammad Tafail Khan

5.26 Red Lion re-alleges and incorporates the allegations set forth in paragraphs 1.1 to 5.25 as though set forth herein.

5.27 Red Lion and Khan/Sleep entered into a valid and enforceable Franchise License Agreement in December 2014 regarding operation of the Ft. Collins Property under the Red Lion brand.

5.28 Defendants Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail

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Khan each personally guaranteed Khan/Sleep's performance of all obligations under the Ft. Collins Agreement.

5.29 The Ft. Collins Agreement explicitly required that the Red Lion Marks not be used in commerce if that agreement was terminated.

5.30 Red Lion terminated the Ft. Collins Agreement on January 5, 2017, after Khan/Sleep, Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan breached the agreement by failing to pay fees and dues owed to Red Lion.

5.31 Khan/Sleep, Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan continued to use the Red Lion Marks in commerce after the Ft. Collins Agreement was terminated.

5.32 Khan/Sleep, Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan agreed that unauthorized use of the Red Lion Marks after the Ft. Collins Agreement terminated would irreparably harm Red Lion and they further agreed to consent to the entry of a permanent injunction to protect the Red Lion Marks.

5.33 Khan/Sleep, Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan agreed that they would be responsible for any costs and expenses, including attorneys' fees incurred by Red Lion in connection with their unauthorized use of the Red Lion Marks.

5.34 Red Lion has suffered damages and irreparable harm from

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Kahn/Sleep, Ghazanfar Khan, Zulfiqar Khan, and Mohammad Tafail Khan's breach of their covenant described herein.

5.35 The Ft. Collins Agreement requires that all disputes under it, except claims by Red Lion relating to the preservation or protection of its proprietary right or for extraordinary relief such as injunctions or eviction, be mediated before going to binding arbitration.

VI. PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays that this Court enter judgment in its favor on each and every claim for relief set forth above and award it relief including, but not limited to, the following:

A. A permanent injunction enjoining and restraining Defendants, and all persons, entities, or agents acting in concert with him, during the pendency of this action and thereafter perpetually, from using and/or displaying any of Plaintiff's trademarks and/or trade names including but not limited to the Red Lion Marks;

B. A permanent injunction enjoining and restraining Defendant, and all persons, entities, or agents acting in concert with him, during the pendency of this action and thereafter perpetually, from creating a false designation of origin between Red Lion and Defendants, and unfairly competing with Red Lion;

C. Awarding Plaintiff a money judgment, including but not limited to

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compensatory and statutory damages as permitted by law, against Defendants in an amount exceeding $75,000, the precise amount to be proven at trial;

D. Awarding Plaintiff its costs, disbursements, and reasonable attorneys' fees in this action, as permitted by law and as stipulated to in the contract;

E. Awarding Plaintiff trebled damages, costs, and attorneys' fees in this action under 15 U.S.C. §1117; and

F. Such other and further relief as the Court deems just and equitable.

DATED this 10th day of March, 2017.

DORSEY & WHITNEY LLP

/s/ J. Michael Keyes

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